even if you take into account the circulation of all the editions of the *Indian Express*. It is not that the English newspapers are in largest circulation.

MR. CHAIRMAN: Q. No. 223.

*223. [*The questioner (Shri Virendra Kataria) was absent. For answer* vide col. ....infra.]

Euro. issue Btnds

*224. SHRI MOHD. KHALEEL URRAHMAN:

SHRI CHIMANBHAI MEHTA:†

Will the Minister of FINANCE be be pleased to state:

(a) what are the interest rates offered on Euro-issue bonds and how they compare with International lending rates;

(b) whether interest rates are more than the rates of the loans taken by Govenment from foreign institutions;

(c) whether foreign currencies invested in Euro-issues are repatriated in India; if so, the details of the repatriation;

(d) whether Euro-issues are offered in the International market, at concessional rates;

(e) if so, the details of concession;

(f) whether conversion of Euro-issues into shares is permitted at current market rates or at concessional rates, the details; and

(g) whether it is a fact that Indian companies floating Euro-issues bring home foreign currencies and after converting into rupee, invest in stock market?

†The question was actually asked on the floor of the House by Shri Chimanbhai Mehta.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (DR. ABRAR AHMED): (a) Interest rates on US Dollar denominated Foreign Currency Convertible Bonds (FCCBS) issued by Indian Companies have ranged between 2.25 per cent to 5.5 per cent. They compare favourably with International lending rates.

(b) It may not be appropriate to compare interest rates on Euro-issues which are determined only on commercial considerations with interest rates on loans taken by the Government.

(c) Unless specifically permitted by Government the issuers are required to repatriate the proceeds of Euro-Issues into the country. Till March 4, 1994, an amount of US dollar 2.05 billion has been repatriated into India.

(d) and (e) The price at which Euro-Issues are offered in the international market is determined by the Issuer in consultation with the Lead Managers on the basis of prevailing market conditions and the prevailing market price of the issuing company's shares in the Indian market. Some of the issues have been priced at a premium to the domestic price of the share and some at a discount. The Government does not have a role in pricing.

(f) Conversion of Euro-Issues into ordinary share in the issuing company will take place at the conversion price fixed initially at the time of launching the issue.

(g) Indian companies have been raising funds through Euro-issues generally for financing their resource requirements (both in Indian Rupees as well as in foreign currencies) for their new projects, modernisation/expansion plans, repayment of expensive debt, working capital margin etc. The Government, however, does

not specifically stipulate any restriction about the end-use of funds raised through Euro-issues.

SHRI CHIMANBHAI MEHTA: Sir, in para (g), there is an answer. But my question is that the money that is repatriated into India which is raised by the companies through the Euro-Issues and which is at the disposal of these companies is reported to have been invested in shares and stocks of their own companies and in other companies where inside trading is prohibited and these companies are raising the prices of their stocks. I want to know whether the Ministry can specifically tell them that they can use the money for expansion of plants and strenthening the employment potential and that such money which is raised abroad through the Euro-Issues and converted into rupees here cannot be used by these companies for purchasing shares and stocks. This is the question that I am asking.

डा० अबरार अहमद : सर, अभी तक कुल 33 कंपनियों को इसके लिए अनुमति दी गई है । उनमें से 22 कंपिनियों ने यह यूरो-इश्यू निकाला है और मैं माननीय सदस्य को यह बताना चाहूंगा जो पैसा भारत में लाने वाली बात माननीय सदस्य ने जाननी चाही है तो इस संदर्भ में कुल 3216.92 यू०एस० मिलियन डॉलर की राशि उन 22 कंपनियों द्वारा जो कि टोटल स्वीकृत जिन 33 कंपनियों को दी गई है उसकी राशि थी और उसमें जिन 22 कंपनियों ने इश्यू निकाला है उन्हें 2336.37 यू0एस0 मिलियन डॉलर की राशि उन इश्यू के जरिए से प्राप्त की है। उसमें से 2054.79 मिलियन यू0एस0 डॉलर की राशि भारत के अन्दर आ चुकी है और सिर्फ 150.42 मिलियन यू०एस० डॉलर . . . (व्यवधान)

SHRI CHIMANBHAI MEHTA: Sir, my question is different. This answer is there in his statement.

MR. CHAIRMAN: He wants to know about investment in stocks and shares.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Sir, this is a new scheme and therefore, we felt that in the initial stages it is not appropriate to have too rigid a regime. Even otherwise, there are practical problems in monitoring and ensuring that this money is not used for specific purposes because money is, after all, a fungible commodity. Suppose we allow a company to raise Rs. 100/- abroad and that money is brought in. Now we say that money is only used for expansion. But by the same logic, its own money, the money available with the company itself, can be diverted. I accept the logic of what the hon. Member is trying to say. But, in practice, it is going to be exceedingly difficult to police this system. This is an experimental measure and let it evolve. But we are elert and the information that I have shown that so far there is no cause for alarm that this money is going to be misused. Also, we must recognise that the bulk of this money is being raised abroad for restructuring. Restructuring takes place over a period of time. Now, these companies bring money into the country. For the time being, they need to use that money. They deploy this money in the money market and I don't think that this is a crime.

SHRI CHIMANBHAI MEHTA: I very well understand the concern shown by the hon. Finance Minister. But my specific question was about money being invested ... (Interruption)

MR. CHAIRMAN: That question has been answered. You put a second supplenmentary.

SHRI CHIMANBHAI MEHTA: Sir, the answer is given in a very general way. I am appreciating his concern. My main point is that this money is coming into the India. Almost two billion dollars have come into India and some more amount is likely to come. It is reported in the Press that this money might add to inflation. So,

are you going to get the Euro dollar at a particular limit so that it may help India and that whatever is subscribed may not go against the Indian interests? That is my question.

SHRI MANMOHAN SINGH: Sir, this issue is constantly kept under review. As and when we are convinced that such issues are going to have a destabilising effect, we will take appropriate action. That time has not come as of now.

SHRI SURINDER KUMAR SINGLA: Mr. Chairman, Sir, I would like to ask the hon. Minister as to why they need an Indian company to have permission to go in for Euro-issues. I do not understand the purpose behind this. Why is this appraisal to be made by the Finance Ministry before an Indian company could go and market their Euro-issues in the international market? It is the lead banks which are looking after the interests of the international investors and the Indian Government's certification is not needed. What is the purpose of insisting on seeking permission before an Indian company could go in for Euro-issues? That is my question, Sir.

SHRI MANMOHAN SINGH: Sir, there are valid reasons why at this stage our companies should get this permission. There are two types of issues get this permisson. There are two types of issues which are being raised. One is what is called a Global Depository Receipt which is in the nature of issue of share capital. The other one, concerning this question, is the Foreign Currency Convertible Bond. These have the features both of loans as well as equity. We do not want to pile an unsustainable debt burden abroad. And at the present stage of India's development, sound management of its balance of payments position does require that we should not allow every company which wants to go abroad to raise money because that can adversely affect India credit rating. It will affect not only that company, but it can have adverse affect on other borrowers also. Therefore, in the present stage of development, we feel that it is appropriate that all those who want to raise money abroad, whether by way of GDR's or Convertible Bonds, should continue to get the permission from the Ministry of Finance.

SHRI KAMAL MORARKA: Sir, I would like to know two things from the Finance Minister. Is it a fact that recently the Indian Euro-issues are not being favoured in the market there because of the track record of these 22 companies which have raised money and are using it for purposes not projected in their prospectuses or whtever announcements they made, and also is it a fact that the Finance Ministry is more in favour of permitting GDRs rather than ECBs because ECBs are counted in the external debt of the country while the GDRs are not? It is a technical matter. Both are external debts. But is it a fact that the Finance Ministry favours GDRs because they will not be reflected in the external debt, and not the ECBs because they will be reflected in the external debt? What I am worried is this. The Finance Minister says that it is difficult to monitor the use of those funds. I feel personally, Sir, that if you are going to allow the Indian companies to raise money abroad, it will add to the external debt of the country. And if the Finance Ministry has no control over the use of those funds two things will happen. Your external debt will be a burden of the Government. Secondly, the Euro-issues have already become unpopular abroad, and more Indian companies will never be able to raise funds abroad. This is my worry. What is the reaction of the Finance Minister?

SHRI MANMOHAN SINGH: Sir, as far as the first question is concerned, I think, as a nation, we have got

to get used to ups and downs in the capital markets and, therefore, I do not share this apprehension of the hon. Members that because these prices fluctuate, necessarily that means that India's credit rating has suffered. With regard to the second part of the question, it is true, Sir, that we have been favouring GDRs. Of the total approval of 3.22 billion dolars given till the 4th March, GDR issues are of 2.17 billion dollars and foreign currency convertible bouds are of 1.05 billion dollars. It is not only Ministry of Finance but also the issuers who also prefer to raise money through the GDRs because this way they are able to raise cheap money, which, to a certain extent, till it is converted into shares, is in the form of non-voting shares. Now with regard to the impact on the burden on external debt, certainly the equity burden is very defferent from the straight forward interest and repayment burden that is involved in foreign currency convertible issues. But it would not be correct to say that foreign currency convertible bonds are entirely interest-based. They can also be converted into equity. As far as I remember, when we considered that, it was proposed that 50 per cent of these issues would be considered as debt and 50 per cent would be considered as equity. I personally do not feel that the GDRs are at par when it comes to assessing their impact on external indebtedness. These are non debt-creating flows and we do want to move away from debt-creating flows to non-debt-creating instruments.

SHRI JAGESH DESAI: The Minister said that it is not possbie to monitor the end use of the money received. But in my opinion if a condition is imposed, there will be some kind of a moral influence on the person who has taken the money and I would like the Government to react whether it will think in that direction. Sir, there should be a condition that the money thus received would be utilised for the purpose of expansion and modernisation and not for the purpose of investment in shares. Part (b) of my questions, whether anybody has been allowed or any issue has been allowed with permission not to repatriate money into India.

SHRI MANMOHAN SINGH: As far as the last part of the question is concerned, I do recall that there have been one or two cases where companies have been allowed to keep a part of the money abroad. There are also some companies which have kept money abroad and they have sought out approval. With regard to the first part of the question, whether there should be any condition as envisaged, let the system settle down. We began this system only a few months ago. If we put it in a straight jacket, it might be counter-productive. But we are watching the situation constantly and if such a need arises, we will take appropriate action.

MR. CHAIRMAN: Next question.

विदेशी कम्पनियों द्वारा गुजरात में कोयले पर आधारित ताप विद्युत संयंत्रों की स्थापना

*225. **श्री राम सिंह राठवा** : क्या **विद्युत मंत्री** यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि अन्य देशों में स्थित कुछ बड़ी विद्युत कम्पनियों ने गुजरात में भारी निवेश के साथ कोयले पर आधारित ताप विद्युत सयंत्रों की स्थापना करने का प्रस्ताव किया है ;

(ख) यदि हां, तो तत्संबंधी ब्यौरा क्या है और इन प्रस्तावों पर सरकार ने क्या कार्रवाई की है ;

(ग) यदि विदेशी कम्पनियों ने विद्युत संयंत्रों की स्थापना के लिए गुजरात का चयन नहीं किया है तो क्या सरकार इस उद्देश के लिए गुजरात का चयन करने के लिए उन्हें राजी करने का विचार रखती है ; और